

How contributory income can help qualify for a mortgage

What is contributory income?

Contributory income refers to income received from a family member** that lives in the same household and used to strengthen the overall application. This income helps meet debt service ratios, but does not necessarily make the secondary borrower a co-owner of the property.



Meet “Sarah & Daniel”*

- Sarah & Daniel are applying for a mortgage to purchase their first home
- They have a combined annual income of \$135,000 and have a strong credit profile
- The property price is \$970,000, and they need a mortgage of \$776,000

Sarah and Daniel’s GDS/TDS ratios are slightly above the lender’s guidelines when calculated using only their income.

Solution:

Sarah’s widowed mom Suzanne will be living with Sarah and Daniel, and will contribute \$15,000 of her annual income. By considering Suzanne’s income as contributory, the combined household income becomes \$150,000.

Impact on ratios

Before contributory income

- GDS 51.46%
- TDS 55.01%

Contributory income \$15,000

- Total income \$150,000
- GDS 46.31%
- TDS 49.51%

This adjustment allows the deal to qualify without Suzanne on the application, while still recognizing her financial contribution.



Contributory income can save deals where ratios are tight

Key highlights

- Property must be **owner-occupied** or an **owner-occupied rental**
- Our borrower must have a **minimum 600+ FICO® Score**
- Maximum contributory income allowed: **\$1,500/month or \$18,000/year**, not to exceed **20% of total income**
- Contributor must be a **family member**** residing in the home
- Available from coast to coast
- Cannot be combined with special programs (TotalWORTH®, Extended Ratio Program)
- The contributor does not need to be on the application

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*Hypothetical example for illustrative purposes only. Lending criteria subject to change without notice. Terms, conditions, and interest rates are subject to change without notice. Additional documentation may be requested. Additional pricing or mortgage lending criteria may apply. This information is for the intended recipient only and not for distribution without written consent.

**Family member in relation to the client means a spouse or common-law partner (including ex-spouse or partner), biological or adoptive child(ren), mother(s), father(s), mother(s) or father(s) of the spouse or common-law partner (MIL, FIL) and the client’s (sibling(s)).